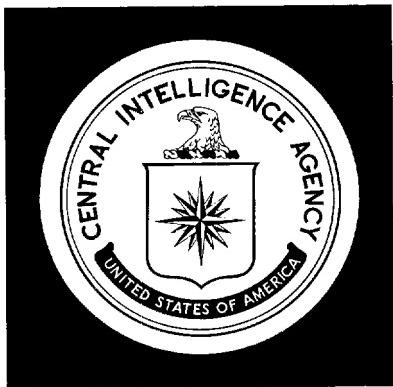


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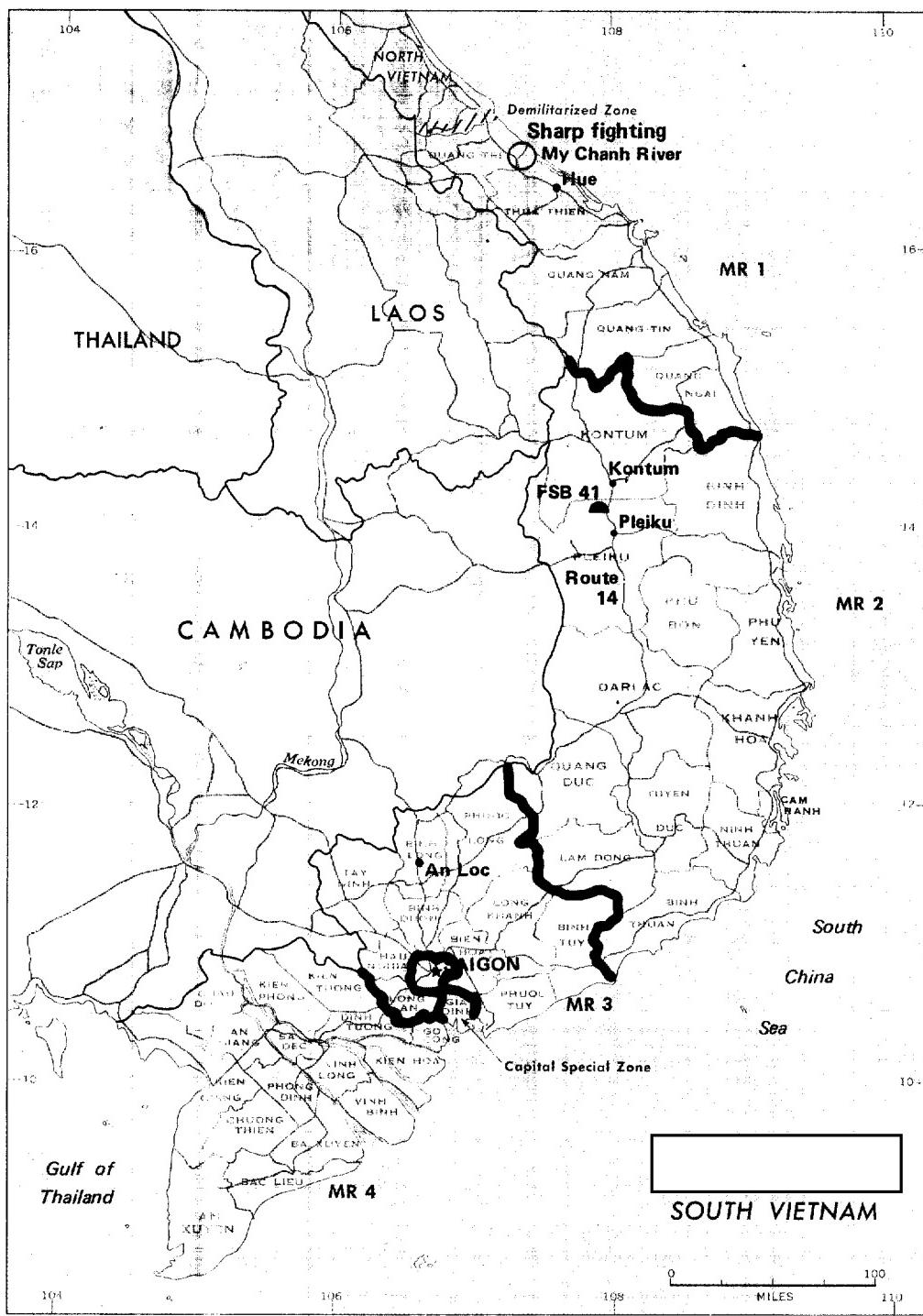
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VIETNAM: North Vietnamese troops and South Vietnamese marines are both trying to gain the initiative north of Hue.

The Communists continued strong probes against marine lines along the Quang Tri - Thua Thien Province border yesterday for the second day in a row. Most of the North Vietnamese forces have been pushed back but only after sharp fighting. The attacks do not appear to represent an attempt to make a major breakthrough toward Hue but rather an effort to keep the South Vietnamese off balance.

In the central highlands, North Vietnamese pressure against Kontum City has eased, following several days of strong probing attacks. A preliminary report, however, indicates that the enemy overran a South Vietnamese artillery base south of Kontum. The South Vietnamese, meanwhile, have mounted a new drive to reopen the key access road to Kontum from Pleiku. Prisoners taken recently around Kontum report that several North Vietnamese regiments in the area have suffered heavy casualties in recent weeks, largely as a result of allied air strikes. Other sources have indicated that the North Vietnamese have lost a substantial part of their available tank force in the highlands. The absence of armor in the recent actions around Kontum City suggests that the North Vietnamese may be conserving their remaining tanks for the main attack on the city.

Enemy attacks have also eased around An Loc, and there are signs that the Communists are again pulling back some of their infantry forces to regroup and refit.

Elsewhere in the country, scattered fighting continues as the enemy appears increasingly to be targeting South Vietnamese district towns. In the last several days Communist main force troops have invaded one district town in Kien Giang Province in]

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the southern delta, another in Phuoc Tuy Province east of Saigon, and yet another in Quang Ngai Province. In each instance, government troops have succeeded in driving out the enemy units, but at a cost of considerable destruction and disruption of the civilian population within the towns.

* * * *

An editorial in the latest issue of North Vietnam's official party journal underscores the regime's dissatisfaction with the performance of both the party cadre and the public in coping with the current crisis. The article focuses on the need for more popular "self-criticism" and points out that some citizens and even some party cadre do not "clearly understand and correctly implement the policies of the party."

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USSR: Developments in Moscow in the days preceding the summit lead to the conclusion that Brezhnev has strengthened his hand domestically in order to be better able to negotiate with President Nixon.

The politburo meeting on 18 May, which obviously concerned the summit, was an expanded session attended by the regional leaders who come only for important sessions. On 19 May, an unusual central committee plenum heard and approved a report on the international situation by Brezhnev. Defense Minister Grechko was one of the eight speakers on Brezhnev's report at the plenum and apparently gave the party chief a strong endorsement.

The plenum named Boris Ponomarev as an alternate member of the politburo. He is a long-time party secretary and the man who handles relations with Communist parties outside the bloc. As such, he is a close colleague of senior party ideologist Suslov, who helped provide the ideological justification for a detente policy toward West Germany in early 1969.

Two days following the plenum, TASS announced that politburo member Petr Shelest had been appointed to the relatively unimportant post of deputy chairman of the Council of Ministers, a move that is probably the first step in a demotion process. As a result of the change, Shelest will certainly lose his position as Ukrainian first secretary, cutting him off from his provincial power base.

The coincidence of events suggests that Shelest lost out in a debate over foreign policy that was closely linked to West Germany's ratification of its treaty with the Soviet Union and to the Soviet decision to proceed with the summit. Shelest has a reputation as a critic of detente. The US Embassy also reported that Shelest is rumored to have pushed for cancellation of the summit after President Nixon's speech on Vietnam on 8 May. [redacted]

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CHILE: Informal cooperation between Christian Democrats and Communists has averted, at least temporarily, a breakdown in civil order.

The greatest threat came from the extremist Movement of the Revolutionary Left (MIR), which planned to act against the government in Santiago and against the opposition parties in Concepcion. Under Communist pressure, the Socialists withdrew their support from the MIR--an unprecedented move--and joined the Communists in criticizing the violent aspects of the Movement.

The activities of armed extremist groups of both the right and left continue to be an important political issue. Allende has felt inhibited in disarming extremists in the past because some of the armed groups support the final aims of the government. With the denunciation of the MIR by the Socialists, their old protectors, Allende may be more willing to move against all armed groups.

One solution that Allende is widely rumored to be considering would be to form a cabinet of military technicians. Civilians could then be disarmed without causing political embarrassment for the parties of the Popular Unity government, which would retain power behind the scenes. Allende would like to have the armed forces take a wider role in his administration, and the arms issue could persuade them to do so.

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be forthcoming. Allende may now be willing to consider an impartial disarmament if he believes this could reduce the potential threat of a rightist civilian insurrection.

Whatever approach Allende may try, the pressures are on him to do something within the near future. [redacted]

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WESTERN EUROPE: A European-wide organization of "free" trade unions could take shape within a year.

Earlier this month, representatives of the free European labor unions tentatively agreed on a new organizational structure that probably will be ratified by a convention of European International Confederation of Free Trade Union affiliates on 6 June. The projected membership would include unions from all the EC countries and candidates, as well as Sweden, Finland, Austria, and Switzerland. The organization thus would combine existing EC and European Free Trade Association union groupings, although the proposed constitution allows for membership of other unions at some future date. A founding congress could launch the organization in spring 1973.

The new organization is a belated but pragmatic response to labor's belief that it needs to become involved more directly in the decision-making process of the enlarging EC and to create a counter-weight to the growth of multi-national corporations. An immediate problem facing the new structure would be effective trans-national collective bargaining. Although some efforts have been made in the past, progress in this area is still likely to be slow.

By limiting the membership to the "free" unions and excluding both the Communist-dominated and the so-called "Christian" unions, the new organization avoids one of the ideological pitfalls that heretofore has stymied moves toward a more effective co-operative effort. In response, the excluded unions may be tempted to cooperate more closely with each other, but the general secretary of the "Christian" confederation has denied this intention.

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SPAIN: Madrid will soon exchange commercial missions with Yugoslavia, according to a high-ranking Spanish official.

Although the Spanish mission in Belgrade will be designated as strictly commercial, Spain plans to send a diplomatic officer of minister's rank to head it. Madrid has similar arrangements with several other East European countries. Spain has no consular relations with the USSR but has been talking to the Soviets about trade and consular arrangements.

According to the Spanish official, Madrid tentatively plans to push ahead quickly in elevating its commercial relations with Yugoslavia to consular and then diplomatic relations. This would make Yugoslavia the first European Communist country to have diplomatic relations with Spain since the Spanish Civil War. Madrid may be influenced in choosing Yugoslavia because Belgrade's difficulties with the USSR would temper the reaction of ideological conservatives in Spain who object to diplomatic relations with Communist countries. In addition, the balance of trade between Spain and Yugoslavia is heavily in Spain's favor and is in convertible currencies. Yugoslav-Spanish relations are also open for improvement because Belgrade no longer accredits an ambassador to the Spanish Republic in exile.

Belgrade, normally not well disposed to Franco's Spain, may consider closer ties as in line with its wider goal of leading Mediterranean states into a conference that would assert regional interests in any Conference on Security and Cooperation in Europe. [redacted]

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TURKEY: President Sunay, and by implication the military, have approved the cabinet proposed by Prime Minister - designate Ferit Melen. He now has up to seven days to submit his government's program to Parliament for approval. The two leading parties have voiced support of Melen, but are reserving judgment on a vote of confidence until they have reviewed his program, especially those features pertaining to reforms and elections. Seventeen of the 25 cabinet members are holdovers from the previous government; three of the four new technicians are financial experts. Three of the four politicians named by Melen are members of the second-ranking Republican People's Party, giving it nearly as many cabinet posts as the majority Justice Party. [redacted]

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IRAQ: The Iraq Petroleum Company (IPC) has until next week to respond to the government's demand that it increase oil production or relinquish part or all of its operations in northern Iraq. Baghdad has suffered a substantial loss of revenue because production from the northern oilfields since April has been at only one half of capacity. IPC has told government representatives that Iraqi oil from the northern fields, exported via pipeline to the eastern Mediterranean, is more costly than Persian Gulf oil because of the currently low tanker rates. The company offered to increase production if the government would lower taxes, but this was rejected by Oil Minister Hammadi. The company, which has been involved in a number of basic disagreements with Iraq during the past decade, probably will be reluctant to give up even a share of its operations at this time because negotiations on the participation issue are under way with the Organization of Petroleum Exporting Countries. [redacted]

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MEXICO: The government apparently is retaliating against US-owned Freeport Minerals Company for charges brought by the company against Mexican sulphur exporters. The company's claim that Mexican sulphur has been dumped in the US was recently upheld by the US Tariff Commission. Freeport contends that because of its action it is now encountering administrative delays in a joint venture with Mexican interests to develop an asbestos mine, and it claims that it probably will have to sell its 49-percent interest in the project. Last week, when another US company sold its 34-percent interest in a sulphur mining company to the Mexican Government for \$10 million, a government official strongly criticized both the Tariff Commission's decision and foreign investment. The government also intends to place the dumping issue on the agenda when Presidents Nixon and Echeverria meet in Washington next month.

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